

CARES Act



Are you a small business owner?

Here's how the CARES Act can help you:

Program:	Am I eligible?	What does it include?	What do I owe?
Paycheck Protection Program	<ul style="list-style-type: none">- Businesses who have been in operation since at least 2/15/20- Small employers with 500 employees or fewer- Self-employed persons, independent contractors, cooperatives and "gig" workers	<ul style="list-style-type: none">- 8 weeks of cash assistance loans to small employers who maintain their payroll during the emergency- Salary, wages & cash tips (up to an annual rate of pay of \$100,000)- Employee group health care benefits, including insurance premiums, retirement contributions, and covered leave	<ul style="list-style-type: none">- You must maintain 100% of payroll to be fully forgiven on your loan- If you rehire all your employees by 6/30/20, 100% of loans can be forgiven
Economic Injury Grants & Disaster Loans	<ul style="list-style-type: none">- Small businesses, private non-profits & small agriculture cooperatives- Businesses with 500 or less employees, sole proprietorships, independent contractors, cooperatives, employee owned businesses, and non-profits of any size	<ul style="list-style-type: none">- Loan advance of up to \$10,000- To access the advance, you first apply for an EIDL and then request the advance- Funds will be made available within three days of a successful application	<ul style="list-style-type: none">- This loan advance will not have to be repaid
Small Business Debt Relief	<ul style="list-style-type: none">- Borrowers with existing SBA 7(a) loans, 504 loans, and microloans	<ul style="list-style-type: none">- The SBA Debt Relief Program will pay the principal and interest of current 7(a) loans, 504 loans, and microloans for a period of six months	<ul style="list-style-type: none">- This loan advance will not have to be repaid

Small Business Administration Summary and FAQ

American small businesses are facing an unprecedented economic disruption due to the novel coronavirus (COVID-19) outbreak, with reports of small businesses experiencing major difficulties. Due to the nature of this economic disruption, the existing disaster recovery programs for small businesses are insufficient. The CARES Act represents more than \$376 billion in relief for struggling small businesses, which falls into two main buckets: Access to Capital and Small Business Support.

The programs outlined below would help around **99 percent of U.S. businesses** and 47.5 percent of U.S. workers weather the pandemic. In New York, small businesses make up 99.8 percent of all businesses and employ more than half of New York's private sector workforce. In Fiscal Year 2019 Congressional district NY-18 had 153 filed Small Business Administration (SBA) loans totaling \$65,782,000.

The Paycheck Protection Program (PPP)

Overseen by the SBA, the program would provide 8 weeks of cash-flow assistance through federally guaranteed loans to small employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven. The program includes **\$350 billion** in 100 percent guaranteed, low interest, no fee loans of up to **\$10 million** with repayment deferred for at least 6 months. The SBA's network of 2,500 7(a) lenders will be used to process these loans. Each entity is limited to one PPP loan.

Who is eligible?

- Businesses and entities who have been in operation on at least February 15, 2020
- Small employers with 500 employees or fewer
- Self-employed persons, independent contractors, cooperatives, and "gig economy" workers

- Nonprofits, including 501(c)(3) organizations and 501(c)(19) veteran organizations, and tribal business concerns with under 500 employees, more information [here](#)
- Churches but only to cover payroll costs of an associated business, like a thrift store

What about franchises and hotels?

- The program temporarily waives SBA “affiliation rules” to allow businesses with multiple locations the normally are not considered small, to qualify. This is especially important for our restaurant and lodging sector. They are still limited to the same maximum loan size - \$10 million - as a business with one location.

What is covered?

- Covered payroll costs include up to 2.5 months of payroll and any new EIDL loan balances incurred due to Coronavirus (not to exceed \$10 million).
- This includes salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000), employee group health care benefits, including insurance premiums, retirement contributions, and covered (vacation, family, medical) leave.

What is not covered?

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code

- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the [Families First Coronavirus Response Act](#)

How is loan size determined?

Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always \$10 million.

- **If you were in business February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt for March 1, 2019 as your start date.
- **If you were not in business between February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- **If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020** and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

How are loans made?

The SBA's network of 2,500 7(a) lenders will be used to process these loans. There is also authority to fast track additional lenders to process and disburse these loans to reach as many small businesses as quickly as possible.

Are these grants?

Yes and No. The amount of the loan forgiven at the end of the year will be determined by how many employees were retained on the company's payroll, up to 100 percent for full retention. There are safeguards built in to protect against employers gaming the program, as well as recognizing some employers will be forced to do temporary furloughs but bring their employees back on.

How do you get forgiven?

- **The SBA will forgive up to 100% of the loan if the borrower has retained the same number of employees as when they received the loan.** The goal is to help workers remain employed and our economy recover quickly from this crisis.
 - You must maintain 100% of your payroll to be fully forgiven on your loan. If you rehire all your employees by June 30, 2020, 100 percent of loans can be forgiven.
 - The amount of forgiveness is reduced by the extent to which payroll was reduced and not restored back to pre-COVID levels. For example, if the employer maintains 90% of its payroll, then the portion of the loan used for these costs would be forgiven at 90%.

- You must apply through your lender for forgiveness on your loan.
- **For any amounts not forgiven** - the maximum term is **10 years**, the maximum interest rate is **4 percent**, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

How long does the program last?

- This proposal would be retroactive to **February 15, 2020** to help bring workers who may have already been laid off back onto payrolls and is open until **June 30, 2020**.

Emergency Economic Injury Grants and Economic Injury Disaster Loan (EIDL)

These grants provide an emergency advance of up to **\$10,000** to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL and then request the advance. **The advance does not need to be repaid under any circumstance**, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. **\$10 billion** would be provided to support the expanded EIDL program.

Emergency Economic Injury Grant and EIDL recipients and those who receive loan payment relief through the Small Business Debt Relief Program **may apply** for and take out a PPP loan as long as there is no duplication in the uses of funds.

Who is eligible?

- Those eligible for an EIDL and who have been in operation since **January 31, 2020**, when the public health crisis was announced.
- Independent contractors, the self-employed, private non-profits, and small businesses and medium sized businesses with up to 500 employees, including startups, cooperatives, and ESOPs.

- Small business and small agricultural cooperatives that meet the applicable size standard for SBA are also eligible, as well as most private non-profits of any size.

How long does the program last?

January 31, 2020 – December 31, 2020. The grants are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.

What is a private non-profit?

Private non-profits include churches and private universities.

My private non-profit is not a 501(c)(3). Is it still eligible for an EIDL and a grant?

Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under sections 501(c), (d), or (e) or if you can provide satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law.

However, a recipient that is principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities **is not eligible** to receive an EIDL. The SBA recommends you consult with legal counsel to determine organization eligibility.

Small Business Debt Relief

This program will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law. Deferments on 7(a), 504, and Microloans are automatic. **\$17 billion** would be provided to implement this section.

Which SBA loans are eligible for debt relief under this program?

7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible.

How do I know if I'm eligible for a 7(a), 504, or microloan?

In general, businesses must meet [size standards](#), be based in the U.S., be able to repay, and have a sound business purpose. To check whether your business is considered small, you will need your business's 6-digit North American Industry Classification System (NAICS) code and 3-year average annual revenue. Each program has different requirements.

If I am unfamiliar with SBA loans who can help me apply?

SBA resource partners are available to help guide individuals through the loan application process. You can find your nearest

Small Business Development Center (SBDC) or Women's Business Center [here](#).

Additional Assistance Information

Entrepreneurial Assistance

- SBA resource partners, including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), provide vital mentorship, guidance and expertise to small businesses.
 - The bill would provide **\$265 million** in additional funding.
 - **\$10 million** of which would be provided for the Minority Business Development Agency to provide these services through Minority Business Centers and Minority Chambers of Commerce

Women's Business Center Matching Waiver

- The bill waives the requirement that WBC's meet their 1:1 private match to SBA provided funding. This will help alleviate the need to fundraise during the Coronavirus crisis and allow them to continue receiving federal funding to help small businesses.

State Trade Expansion Program (STEP) Support

STEP provides matching funds to states and territories to provide opportunities for small businesses to participate in trade missions, international marketing efforts, workshops, export trade show exhibits, and other promotional activities.

The bill would:

- reimburse States for financial losses resulting from the cancellation of foreign trade missions or trade show exhibition due to COVID-19;
- allow States to use unspent funds from FY 2018 and FY 2019 to cover losses due to COVID-19 outbreak through FY 2021.

Contracting

There are several ways that Congress has provided relief and protection for government contractors. Agencies will be able to modify terms and conditions of a contract and to reimburse contractors at a billing rate of up to **40 hours per week** of any paid leave, including sick leave. The contractors eligible are those whose employees or subcontractors cannot perform work on site and cannot telework due to federal facilities closing because of COVID-19.

How can I get assistance with my SBA application?

- NYS Small Business Development Centers (SBDC) and NYS Entrepreneurship Assistance Centers (EAC) can assist small businesses with the application. For more information:
- SBDC: <http://nysbdc.org/appointment.html>
 - Small Business Development Center (SBDC) Mid-Hudson
phone: 845-802-9150
 - Small Business Development Center (SBDC) Westchester
phone: 845-356-6065
- EAC: <https://esd.ny.gov/sites/default/files/EAC%20Contact%20List%20for%20ESD%20Website%20-%20Sheet1.pdf>

For additional assistance, your [local](#) Small Business Development Center, Women's Business Center, SCORE chapter, Office of

Small and Disadvantaged Business Utilization (OSDBU), or SBA District Office can help.